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FILED

DEC 16 2014

**SECRETARY, BOARD OF
OIL, GAS & MINING**

**BEFORE THE BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH**

IN THE MATTER OF FORMAL
RULEMAKING TO AMEND THE OIL AND
GAS R649-3 RULES CONCERNING
DIRECTIONAL DRILLING

**NOTICE OF AGENCY ACTION
TO COMMENCE FORMAL
RULEMAKING**

Docket No. 2015-006
Cause No. RO&G-2015-01

The Division of Oil, Gas & Mining ("Division") hereby files this Notice of Agency Action at the direction of the Board of Oil, Gas and Mining ("Board") to commence formal rulemaking to amend the Board's Oil and Gas rules concerning directional drilling. Action will be taken by the Board in compliance with the Utah Administrative Rulemaking Act (Utah code §§ 63G-3-101 to 702 (2014)) to adopt amended rules to provide alternatives for Division approval of directional drilling proposed by well operators within Utah in the future.

The Division hereby requests that the Board: (1) authorize the Division to file the proposed rules in accordance with the requirements of the Administrative Rulemaking Act and provide notice as required by the Act; (2) schedule an opportunity for public hearing on the proposed rules at its

hearing on January 28, 2015; and (3) after consideration of all comments and compliance with all requirements of the Rulemaking Act, take such further action as it finds appropriate to adopt, amend or reject the rules as proposed.

BACKGROUND

Representatives of the Utah Petroleum Association expressed interest at an October 16, 2014 meeting with the Division in amendment of the Oil and Gas rules pertaining to directional drilling. The Division provided a briefing to the Board on the proposed rule at the regularly scheduled Board Briefing on October 22, 2014, and representatives of the Utah Petroleum Association also spoke concerning the amendment.

The Division provided the Informal Rules Review Group the opportunity on October 24, 2014 to review the proposed rule, and one written reply was provided, which was in support. The Division also further discussed the rule with the Utah Petroleum Association at a meeting on November 4, 2014. The Board was briefed on this informal rulemaking process at their regular hearing day on December 10, 2014, wherein the Division advised that the proposed amendment is anticipated to create efficiencies for well operators, the Board and the Division.

The proposed amended rules R649-3-3 and R649-3-11, are attached and all additions to the rule are shown as underlined. The proposed rules will be filed with the Division of Administrative Rules via an eRules filing by December 30, 2014. The proposed rule amendments will subsequently appear in the Utah State Bulletin on January 15, 2015. The Board may take public comment at a Board hearing on the proposed rules after they are

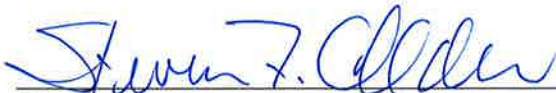
published in the Utah State Bulletin. A public hearing may be held as part of the regularly scheduled Board hearing on January 28, 2015.

A minimum 30-day comment period extending through February 17, 2015 is required by the Utah Administrative Rulemaking Act. Assuming no changes are made to the rules as proposed, the Board could grant its final approval of the rules at the regular hearing day on February 25, 2015 and R649-3-3 and R649-3-11, as amended, could be made effective on the day of the February Board Hearing, since it would meet the requirement of no fewer than seven calendar days after the close of the public comment period.

REQUESTED ACTION

The Division requests that the Board take appropriate actions for formal rulemaking which include Board: (1) authorize the Division to file the proposed rules in accordance with the requirements of the Administrative Rulemaking Act and provide notice as required by the Act; (2) schedule an opportunity for public hearing on the proposed rules at its hearing on January 28, 2015; and (3) after consideration of all comments and compliance with all requirements of the Rulemaking Act, take such further action as it finds appropriate to adopt, amend or reject the rules as proposed on the attached exhibit.

DATED this 16th day of December, 2014.


Steven F. Alder,
Assistant Attorney General
Utah Division of Oil, Gas, & Mining.

CERTIFICATE OF SERVICE


I hereby certify that I caused a true and correct copy of the foregoing NOTICE OF AGENCY ACTION TO COMMENCE FORMAL RULEMAKING for Docket No. 2015- , Cause No. RO&G-2015-01 to be mailed with postage prepaid, this 30th day of December, 2014, to the following:

Michael S. Johnson
Assistant Attorney General
Utah Board of Oil, Gas & Mining
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Via Email

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Utah Division of Oil, Gas & Mining
Rulemaking Process: Commence Formal
Directional Drilling Amendments
December 16, 2014

R649. Natural Resources; Oil, Gas and Mining; Oil and Gas.

R649-3. Drilling and Operating Practices.

R649-3-3. Exception to Location and Siting of Wells.

1. Subject to the provisions of R649-3-11.1.2, ~~The~~ the division shall have the administrative authority to grant an exception to the locating and siting requirements of R649-3-2 or an order of the board establishing oil or gas well drilling units after receipt from the operator of the proposed well of the following items:

- 1.1. Proper written application for the exception well location.
- 1.2. Written consent from all owners within a 460 foot radius of the proposed well location when such exception is to the requirements of R649-3-2, or;
- 1.3. Written consent from all owners of directly or diagonally offsetting drilling units when such exception is to an order of the board establishing oil or gas well drilling units.
2. If for any reason the division shall fail or refuse to approve such an exception, the board may, after notice and hearing, grant an exception.
3. The application for an exception to R649-3-2 or board drilling unit order shall state fully the reasons why such an exception is necessary or desirable and shall be accompanied by a plat showing:
 - 3.1. The location at which an oil or gas well could be drilled in compliance with R649-3-2 or Board drilling unit order.
 - 3.2. The location at which the applicant requests permission to drill.
 - 3.3. The location at which oil or gas wells have been drilled or could be drilled, in accordance with R649-3-2 or board drilling unit order, directly or diagonally offsetting the proposed exception.
 - 3.4. The names of owners of all lands within a 460 foot radius of the proposed well location when such exception is to the requirements of R649-3-2, or
 - 3.5. The names of owners of all directly or diagonally offsetting drilling units when such exception is to an order of the board establishing oil or gas drilling units.
4. No exception shall prevent any owner from drilling an oil or gas well on adjacent lands, directly or diagonally offsetting the exception, at locations permitted by R649-3-2, or any applicable order of the board establishing oil or gas well drilling units for the pool involved.
5. Whenever an exception is granted, the board or the division may take such action as will offset any advantage that the person securing the exception may obtain over other producers by reason of the exception location.

R649-3-10. Tolerances for Vertical Drilling.

1. Deviation from the vertical for short distances is permitted in the drilling of a well without special approval to straighten the hole, sidetrack junk, or correct other mechanical difficulties.

2. All wells shall be drilled such that the surface location of the well and all points along the intended well bore shall be within the tolerances allowed by R649-3-2, Location and Siting of Vertical Wells and Statewide Spacing for Horizontal Wells, or the appropriate board order.

R649-3-11. Directional Drilling.

1. Except for the tolerances allowed under R649-3-10, no well may be intentionally deviated unless the operator shall first file application and obtain approval from the division.

1.1. An application for directional drilling may be approved by the division without notice and hearing when the applicant is the owner of all the oil and gas within a radius of 460 feet from all points along the intended well bore, or the applicant has obtained the written consent of the owner to the proposed directional drilling program.

1.2. An application pertaining to a well with a surface location outside the tolerances allowed by R649-3-2 or the appropriate board order, but with the point of penetration of the targeted productive zone(s) and bottom hole location within said tolerances, may be approved by the division without notice and hearing conditioned upon the operator filing a certification included with the application that it will not perforate and complete the well in any other zone(s) outside of said tolerances without complying with the requirements of R649-3-11.1.1. Under these circumstances, no additional exception location approval under R649-3-3 is required.

1.23. An application for directional drilling may be included as part of the initial APD for a proposed well.

2. An application for directional drilling shall include the following information:

2.1. The name and address of the operator.

2.2. The lease name, well number, field name, reservoir name, and county where the proposed well is located.

2.3. A plat or sketch showing the distance from the surface location to section and lease lines, the target location within the intended producing interval, and any point along the intended well bore outside the 460 foot radius for which the consent of the owner has been obtained.

2.4. The reason for the intentional deviation.

2.5. The signature of designated agent or representative of operator.

3. Within 30 days following completion of a directionally drilled well, a complete angular deviation and directional survey of the well obtained by an approved well survey company shall be filed with the division, together with other regularly required reports.